

**SPECIAL STATE CREDIT UNION BOARD MEETING
HELD BY CONFERENCE CALL
OFFICE OF THE COMMISSIONER
DEPARTMENT OF FINANCIAL INSTITUTIONS
2000 SCHAFFER STREET, SUITE G
BISMARCK, NORTH DAKOTA**

April 5, 2013

A special meeting of the State Credit Union Board was called to order by Chairman Entringer in the Office of the Commissioner, Department of Financial Institutions, 2000 Schaffer Street, Suite G, Bismarck, North Dakota, at 9:10 a.m., Friday, April 5, 2013.

MEMBERS PRESENT: Robert J. Entringer, Chairman *(Office)*
Paul Brucker, Member *(Office)*
Don Clark, Member *(Fargo)*
Steve Tonneson, Member *(Office)*
Melanie Stillwell, Member *(Williston)*

MEMBERS ABSENT: None

ALSO PRESENT: Aaron Webb, Secretary *(Office)*
Janilyn Murtha, Assistant Attorney General *(Office)*
Corey Krebs, Chief Examiner – Credit Unions *(Office)*
Sara Sauter, Financial Institutions Examiner *(Office)*
Mike Reishour, Dakota Plains CU *(Edgeley)*

**DAKOTA PLAINS CREDIT UNION, EDGELEY, TO ESTABLISH
BRANCHES IN SHELDON AND FORT RANSOM**

Chairman Entringer explained that Dakota Plains Credit Union (Dakota Plains) submitted an application to establish branches at 105 E Main St, Fort Ransom, and 118 Fowler St, Sheldon.

Assistant Commissioner Webb reviewed his Memorandum dated March 4, 2013, which indicates the Department received the branch applications on

February 13, 2013. Assistant Commissioner Webb indicated one comment letter was received from Rick Taylor, Mayor of Sheldon, in support of the Sheldon branch.

Assistant Commissioner Webb indicated Dakota Plains' current field of membership is a fifty (50) mile radius of the home office in Edgeley, North Dakota, and individuals who reside within an area between a fifty (50) mile radius and a seventy-five (75) mile radius of the home office of Edgeley, North Dakota. Assistant Commissioner Webb indicated the proposed branch locations in Sheldon and Fort Ransom are within the current field of membership of Dakota Plains.

Assistant Commissioner Webb reviewed the requirements of Section 13-03-15-04, and indicated Dakota Plains' Board of Directors approved the two branch applications at its November 8, 2012, board meeting.

Assistant Commissioner Webb indicated the Department published notice of the application in *The Sargent County Teller* on February 22, 2013, *Ransom County Gazette* on February 25, 2013, *Valley City Times-Record* on February 22, 2013, and *Lamoure Chronicle* on February 27, 2013.

Assistant Commissioner Webb indicated the communities of Sheldon and Fort Ransom are not presently served by a credit union.

Chief Examiner Krebs reviewed his Memorandum dated April 1, 2013, indicating there is some financial risk regarding the proposed branches in Sheldon and Fort Ransom.

Chief Examiner Krebs added the following factors should be considered: Dakota Plains' net worth ratio has declined in recent years due to robust asset growth; net worth has declined; projections indicate loan and deposit growth in both branches will be minimal and management's plan to allow non-member deposits of \$3.9 million to roll off as they mature should offset some anticipated growth from the new branch deposits; the Sheldon branch could possibly capture the previous bank facility deposit levels of \$5 million; there could be possible liquidity risk; Dakota Plains could struggle financially if the proposed branches are more successful than anticipated; management's plan to be more selective in loans booked at these proposed branches could limit the risk of excessive loan growth; while Dakota Plains projects an overall net gain to income with the proposed branches, the low level of additional expenses should have a manageable impact on overall net income as office space will be rented and staffing limited; and that

management indicates a willingness to close the proposed branches within a year if they are not successful.

Chief Examiner Krebs concluded that the Department makes no recommendation on the proposed branch applications.

CEO Reisnour explained that in October 2012 the First State Bank of North Dakota, Arthur, closed its facilities in Sheldon and Fort Ransom, and Dakota Plains was approached and asked to consider opening branches in these two communities.

CEO Reisnour indicated after several meetings the Board agreed favorably to establish these branches and management then compiled financial projections for submission with the proposed branch applications.

CEO Reisnour indicated members of the ag community in Sheldon expressed interest in doing business with Dakota Plains if they established a branch in Sheldon.

Chairman Entringer asked CEO Reisnour to explain how assumptions on deposits and loans were based. CEO Reisnour explained deposit and loan assumptions in Fort Ransom were based on a questionnaire the Mayor of Fort Ransom provided at a town meeting, which concluded with approximately \$1 million in both deposits and loans. CEO Reisnour explained with respect to Sheldon, the Enderlin branch growth due to the Sheldon area was considered.

Member Brucker stated the primary objective of the State Credit Union Board is safety and soundness; therefore, since Dakota Plains' equity is at 7.02%, questioned whether there is concern if these branches are opened a growth mode would occur wherein earnings cannot remain above 7%.

CEO Reisnour indicated he believes the credit union's quarter end equity is 7.27%, and Chief Examiner Krebs explained the 7.02% number is without rolling off the non-member deposits early. Chief Examiner Krebs added he calculates the March 31, 2013, equity to be 7.24%.

Member Brucker reiterated he questions what Dakota Plains' action will be if the equity goes below 7%. CEO Reisnour indicated he does not anticipate the equity going below 7%, and explained the plans to monitor equity very closely, as well as the different loan scenarios compared to last year. CEO Reisnour added if

there is a demand in ag loans he believes mechanisms are in place to manage the capital issue at this point.

Member Brucker indicated it is somewhat irregular to have two branches open at the same time and asked if the credit union has concerns, as well as what expenses will result for the credit union. CEO Reismour indicated the Sheldon branch hours will be Monday, Wednesday, and Friday from 8:30 a.m. to 12:30 p.m.; the Fort Ransom branch hours will be Tuesday and Thursday from 1:00 to 5:30/6:00 p.m.; therefore, a current part-time employee at the Enderlin branch will become full time and service both the Sheldon and Fort Ransom branches. CEO Reismour continued there will be minimal equipment, much of which will be leased through a two-year program.

CEO Reismour pointed out both the Sheldon and Fort Ransom communities are aware that if the proposed branches are not profitable or wise for the entire credit union membership they will be closed.

Member Tonneson asked if one employee will service the proposed branches, and CEO Reismour indicated they plan to hire a part-time employee, and then two employees will rotate between the proposed branches. Member Tonneson also asked how loan applications will be handled, and CEO Reismour explained the applications can be provided at the branch locations and reviewed by qualified staff either at the main office or branch location, if available.

Chief Examiner Krebs explained there is a statutory requirement that loan officers approving and funding their own loan applications must be separated, and questioned the credit union's proposal of an employee functioning as a teller and/or loan officer. CEO Reismour indicated once a loan application is submitted and approved, a loan processor from current credit union locations can fund the loan.

Member Stillwell indicated at branches of Western Cooperative Credit union the actual processing of a loan is done remotely; therefore, the loan officer is not disbursing funds, but this activity will be completed by a processor in another office.

Member Tonneson questioned if it is correct that the proposed branches will be closed within one year if not deemed profitable, and CEO Reismour indicated there is an understanding with both communities it is discretionary with Dakota Plains as to whether to close either branch.

Member Clark indicated it appears since the bank facilities were closed in both communities, there is the need for Dakota Plains' to propose these branches.

Chairman Entringer indicated from a regulatory perspective the concerns are capital and liquidity; however, feels CEO Reissour has addressed these concerns.

Chairman Entringer pointed out the proposed Orders stipulate that Dakota Plains maintain a well-capitalized status for the first two years of operation of each branch.

It was moved by Member Brucker, seconded by Member Clark, and unanimously carried to approve the applications by Dakota Plains Credit Union, Edgeley, to establish a branch at 105 E Main St, Fort Ransom, and 118 Fowler St, Sheldon, and that Chairman Entringer be authorized to sign the Orders on behalf of the State Credit Union Board.

The meeting adjourned at 10:03 a.m.

Robert J. Entringer, Chairman

Aaron K. Webb, Secretary